



Treasury Financial Manual

Transmittal Letter No. 5

Volume IV

To: Treasury Tax and Loan Depositories

1. Purpose

This transmittal letter releases Volume IV Treasury Financial Manual (TFM). It issues codified instructions to guide financial institutions that qualify as Treasury tax and loan depositories and/or provide electronic tax deposit services.

2. Page Changes

Remove

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3. Effective Date

Upon receipt.

4. Inquiries

Direct questions concerning this transmittal letter to:

Directives Management Branch
Financial Management Service
Department of the Treasury
3700 East-West Highway, Room 5C16
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Date: July 14, 1999

Richard L. Gregg
Commissioner

Part 1—Chapter 1000**PURPOSE AND PLAN OF VOLUME IV**

Volume IV applies to financial institutions that qualify as Treasury tax and loan (TT&L) depositaries and/or provide electronic tax deposit services. It contains codified instructions to guide these institutions. This chapter describes the purpose and plan of Volume IV.

Section 1010—Authority

Title 31 of the Code of Federal Regulations, Part 203, includes regulations governing the designation of TT&L depositaries and the agreements made between these depositaries and Treasury.

Section 1015—Arrangement of the TFM**1015.10—Division of Volumes**

Volumes are divided into parts. Parts are divided into chapters. Each volume has a table of contents for the entire volume and one for each part. Each chapter contains a summary statement that explains the purpose of the chapter. The first chapter of each volume describes the makeup of the volume, procedures therein and other material it contains. Chapters are broken down into sections.

1015.20—Chapters

TFM chapters cover specific areas. Originators divide chapters into sections, paragraphs and subparagraphs.

1015.30—Appendices

Chapters contain appendices that generally include forms, instructions, regulatory material and other helpful information to carry out procedures in the chapters.

1015.40—Numbering

The TFM uses the following numbering system to identify material:

Volume IV
Part 1
Chapter 1000
Section 1010
Paragraph 1010.10

1015.50—Cross-References

The TFM uses cross-references throughout the text. For example:

- For internal chapter references, the TFM refers to this paragraph as paragraph 1015.50.
- For external chapter references, it refers to this paragraph as IV TFM 1-1015.50.

1015.60—Page Designations

The TFM designates pages as follows:

- The top of the page by volume number, part and chapter.
- The bottom of the page by transmittal letter number, page number and date.

1015.70—Assembly

The printer hole-punches TFM pages for insertion in conventional three-ring binders.

Section 1020—Transmittal Letters

The FMS Commissioner signs sequentially numbered transmittal letters that:

- Release changes or additions to existing chapters and new chapters.
- Summarize the transmitted material.
- Provide instructions for the addition or substitution of material.
- Specify any regulations or published instructions that are superseded or rescinded.

FMS provides a “Checklist of Transmittal Letters” to record receipt of all TFM releases with complete volumes.

Section 1025—TFM Bulletins

The Financial Management Service (FMS) issues bulletins to convey material of a one-time or temporary nature. Bulletins also provide an expedient method for issuing instructions or requirements that will be codified in the TFM at a later date.

The FMS Commissioner signs bulletins. They are numbered sequentially by the fiscal year of issue and filed with the volume. Bulletins list

superseded or rescinded material and bear retention dates. Material will be codified in the TFM by the retention date specified in the bulletin.

At the beginning of each fiscal year, FMS issues the Retention Bulletin, listing past bulletins that remain in effect and should be retained for the fiscal year.

Section 1030—Distribution

Federal Reserve Banks (FRBs) send Volume IV, including bulletins

and transmittal letters, to designated receiving points for each TT&L depository in their district. When the mailing address for a designated receiving point changes, the depository must notify its district FRB of the change.

Section 1035—Inquiries

Each TFM transmittal letter and bulletin includes an inquiries section. This section provides the address and telephone number of the office

that can answer questions about the subject matter of the release.

Each chapter has a contact page that lists the office name, address and telephone number for inquiries. The first contact is always the office primarily responsible for the chapter. If the chapter contains specific or technical material relating to a different area of responsibility, those contacts also are listed on the contact page.

Inquiries must cite the pertinent TFM reference (for example, IV TFM 1-1020.10).

Contacts

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Part 1—Chapter 2000

FEDERAL TAX COLLECTIONS—OVERVIEW

This chapter provides an overview of the Federal tax collections process for all financial institutions that process Federal tax payments or participate in the Treasury Tax and Loan (TT&L) Program and/or the Treasury Tax and Loan Investment Program (TT&L IP).

Section 2010—Applicability

By accepting or originating Federal tax payments, the financial institution is bound by IV TFM and applicable Federal Reserve Bank (FRB) operating circulars that supplement regulations at Title 31 of the Code of Federal Regulations, Part 203 (31 CFR Part 203). The Treasury Financial Manual (TFM), and its amendments, are available on the Financial Management Service's (FMS's) website: www.fms.treas.gov.

Section 2015—Authority

Title 31 CFR Part 203 governs:

- Financial institutions that process Federal tax payments either electronically through the Electronic Federal Tax Payment System (EFTPS) or through the paper-based Federal Tax Deposit (FTD) system.
- Designation of TT&L depositories for maintaining and administering TT&L accounts and/or note balances.
- Collateral security requirements.

Section 2020—Definitions

Acknowledgment Number—An acknowledgment number is the unique electronic funds transfer number assigned to track EFTPS transactions. The Treasury Financial Agent (TFA)

assigns an acknowledgment number to each Automated Clearing House (ACH) debit and credit. The FRB assigns an acknowledgment number to all same-day applications (Fedwire value transfer, Fedwire non-value transaction and Fedline Taxpayer Deposit transaction).

Advice of Credit (AOC)—Depositories use Treasury Form 2284: Advice of Credit, to summarize and report FTD coupon deposits to the Internal Revenue Service (IRS) and the FRB. They may send AOC information by mail or deliver it electronically to the FRB via Fedline or voice response.

Automated Clearing House (ACH) Credit Entry—An ACH credit entry is a transaction originated by a financial institution in accordance with applicable ACH association formats and applicable laws, regulations and procedural instructions. The taxpayer instructs its financial institution to initiate the transfer of funds to make a Federal tax payment from the taxpayer's account to the Treasury General Account (TGA).

Automated Clearing House (ACH) Debit Entry—An ACH debit entry is a transaction originated by the TFA, at the request of the taxpayer, in accordance with applicable ACH association formats and applicable laws, regulations and procedural instructions. The taxpayer instructs the TFA to initiate the transfer of funds to make a Federal tax payment from the

taxpayer's account at its financial institution to the TGA.

Bureau of the Public Debt (BPD)—BPD is a bureau within the Department of the Treasury (Treasury) with regulatory responsibility to establish acceptable collateral and to determine the valuation of the collateral for the TT&L Program.

Business Day—A business day is any day on which the district FRB is open.

Cash Concentration or Disbursement Automated Clearing House (ACH) Format with the TXP (tax payment) Addenda Record (CCD+TXP)—This is an ACH format for EFTPS credit entries.

Collateral—Collateral is a marketable security or instrument that has been determined by Treasury and approved by the FRB as acceptable. The pledgor (depository) gives collateral to secure deposits or investment balances at risk to Treasury.

Depository—A depository is a financial institution authorized to participate in the TT&L Program. (See also Treasury Tax and Loan Depository.)

Direct Investment (DI)—A direct investment places Treasury funds with a depository, resulting in a corresponding increase in a depository's note balance.

Election of Option Form—An existing depository uses an Election of Option Form to indicate a change in

the option under which it will administer its TT&L account and/or participate in the TT&L IP. The FRB supplies Election of Option Forms.

Electronic Federal Tax Payment System (EFTPS)—EFTPS is that system through which taxpayers remit Federal tax deposits and payments electronically.

Federal Funds Rate—Treasury uses the Federal Funds Rate as the basis for computing interest and penalty charges. The Board of Governors of the Federal Reserve System publishes the Federal Funds Rate weekly as a yield percent per annum.

Federal Reserve Account—This is an account with reserve or clearing balances held by a financial institution at an FRB.

Federal Reserve Bank Treasury Tax and Loan Application Deposits (FRB TT&L Application Deposits)—Currently FRB TT&L application deposits include Federal tax deposits made through the paper-based coupon system, and EFTPS deposits using ACH credits and debits, Fedwire non-value, and the Fedline Taxpayer Deposit Application. The Federal Reserve's TT&L system places FRB TT&L application deposits in a depository's note balance.

Federal Reserve-Electronic Tax Application (FR-ETA)—FR-ETA is a subsystem of the EFTPS that receives, processes and transmits same-day Federal tax payment information for taxpayers to the IRS via a Treasury Financial Agent. Financial institutions and depositories use Fedwire value transfers, Fedwire non-value transactions or the Fedline Taxpayer Deposit Application as the delivery mechanism to FR-ETA.

Federal Reserve-Electronic Tax Application (FR-ETA) Reference Number—The FR-ETA reference number is a unique 15-digit electronic funds transfer number. The FRB assigns a FR-ETA reference number to track each FR-ETA transaction.

Federal Tax Deposit (FTD)—An FTD is a Federal tax deposit or payment made by taxpayers using an FTD coupon.

Federal Tax Deposit Coupon (FTD coupon)—Form 8109: Federal Tax Deposit Coupon, accompanies a Federal tax deposit made through the FTD system. The IRS supplies FTD coupons to taxpayers.

Federal Tax Deposit (FTD) System—This is the paper-based system through which taxpayers remit Federal tax deposits or payments by presenting an FTD coupon and payment to a depository. The depository prepares an AOC summarizing the FTD coupons.

Federal Taxes—Federal taxes are those taxes or other payments specified by the Secretary of the Treasury as eligible for payment through the FTD system or the EFTPS.

Fedline—Fedline is the computer-based electronic delivery system that provides financial institutions and depositories access to Federal Reserve System services and information.

Fedline Taxpayer Deposit Application—Within Fedline, this application supports the reporting of Federal tax payments on the date of settlement. These transactions settle through TT&L at the end of the day.

Fedline Taxpayer Deposit Transaction—This is the same-day Federal tax payment information transmitted by a financial institution using the Federal Reserve's Fedline Taxpayer Deposit Application. These transactions settle through TT&L at the end of the day.

Fedwire—Fedwire is the funds transfer system owned and operated by the Federal Reserve System.

Fedwire Non-Value Transaction—This is the same-day Federal tax payment information transmitted by a financial institution to an FRB using a Fedwire non-value (Typecode 1090) message with a third party specific

format and an IRS product code. These transactions settle through TT&L at the end of the day.

Fedwire Value Transfer—This is a Federal tax payment made by a financial institution using a Fedwire value message (Typecode 1000) and a Customer Transfer Product Code. These payments settle immediately in funds.

Financial Institution—A financial institution is any bank, savings bank, savings and loan association, credit union, or similar institution. A financial institution may process payments and deposits through the EFTPS. However, financial institutions participating in the paper-based FTD system and/or TT&L IP are referred to as depositories in this document.

Fiscal Agent—Fiscal agent refers to the Federal Reserve Bank acting as agent for Treasury.

Input Message Accountability Data (IMAD)—IMAD is a unique number assigned to track each Fedwire transaction sent by a financial institution.

Interest Rate Factor for Interest Assessments under the Electronic Federal Tax Payment System (EFTPS)—Treasury charges depositories and financial institutions this interest rate, expressed as a daily factor, for delayed processing of EFTPS transactions. The factor is: Federal Funds Rate (rounded to four decimal places) for the week, less 25 basis points (one-fourth of 1 percent), divided by 360 and rounded to the fifth decimal place.

Interest Rate Factor for Late Advices of Credit (AOCs)—Treasury charges depositories this interest rate, expressed as a daily factor, for late AOCs. The factor is: Federal Funds Rate (rounded to four decimal places) for the week, less 25 basis points (one-fourth of 1 percent), divided by 360 and rounded to the fifth decimal place.

Interest Rate Factor for Selective Charges for Federal Tax Deposit

(FTD) Coupons—Treasury charges depositaries this interest rate, expressed as a daily factor, for late processing of tax deposits. The factor is: the average of the weekly Federal Funds Rate (rounded to four decimal places) for the TT&L cycle, plus 2 percent, divided by 360 and rounded to the fifth decimal place.

Interest Rate Factor for Stale-Dated Federal Tax Deposit (FTD) Coupons—Treasury charges depositaries this interest rate, expressed as a daily factor, for stale-dated Federal tax deposits. The factor is: the average of the weekly Federal Funds Rate (rounded to four decimal places) for the TT&L cycle, plus 2 percent, divided by 360 and rounded to the fifth decimal place.

Interest Rate Factor for the Treasury Tax and Loan Investment Program (TT&L IP)—Treasury charges depositaries and financial institutions this interest rate, expressed as a weekly factor, for interest earned on the TT&L IP. The factor is: Federal Funds Rate for the week (rounded to four decimal places), less 25 basis points (one-fourth of 1 percent), divided by 360, multiplied by 7 and rounded to the fifth decimal place. The fifth number to the right of the decimal point is rounded to the next higher number if the sixth number to the right of the decimal point is 6, 7, 8 or 9. The fifth number to the right of the decimal point remains the same if the sixth number to the right of the decimal point is 0, 1, 2, 3, 4 or 5.

Interest Rate Factor for Undated Federal Tax Deposit (FTD) Coupons—Treasury charges depositaries this interest rate, expressed as a daily factor, for undated Federal tax deposits. The factor is: the average of the weekly Federal Funds Rate (rounded to four decimal places) for the TT&L cycle, plus 2 percent, divided by 360 and rounded to the fifth decimal place.

Managing Reserve Bank (MRB)—The MRB is the Federal Reserve

Bank that manages a depository's TT&L account and/or note balance and carries the TT&L account and/or note balance on its books. It is the depository's Administrative Reserve Bank, except with respect to inter-district temporary secondary accounts.

Managing Reserve Bank Head Office Local Zone Time (MRB Head Office LZT)—This is the local time at the FRB Head Office through which an electronic tax application transaction settles or an AOC is processed.

Maximum Balance—Maximum balance is the highest amount a depository has stated it will accept in its note balance and be able to fully collateralize.

Note Balance—Note balance is the dollar value of funds a depository has accepted to retain in an open-ended, interest-bearing note generated from funds. The funds are transferred from the depository's TT&L account, received through EFTPS transaction(s), or deposited by Treasury through the Direct Investment (DI) or Special Direct Investment (SDI) Programs.

Note Option—Note Option is that option selected by a depository under which Treasury invests in obligations of the depository. An open-ended, interest-bearing note balance maintained at the FRB evidences the amount of such investments.

Notification of Change (NOC)—An NOC is a non-dollar entry sent by the TFA to the financial institution, or by the financial institution to the TFA, to give notice that previously valid banking information (account number, account type, etc.) has changed. The TFA or financial institution also uses an NOC to correct erroneous information contained in a prenotification or zero-dollar entry.

Off-Premises Collateral (OPC) Arrangement—An OPC is a collateral custody arrangement, established under the TT&L IP. This arrangement permits a depository to hold in its

possession, for the FRB, collateral pledged to secure funds invested with the depository as special direct investments.

Originating Depository Financial Institution (ODFI)—An ODFI is a financial institution that originates an ACH entry. For an ACH credit entry, the taxpayer's financial institution is the ODFI. For an ACH debit entry, the Treasury Financial Agent is the ODFI.

Prenotification—A prenotification is a non-dollar entry sent through the ACH network at least 6 business days prior to live-dollar entries. It alerts the receiving financial institution that a live-dollar transaction will be forthcoming (and that the receiver's account information should be verified). TFAs originate prenotifications when a taxpayer enrolls for ACH debit in EFTPS. (See also Zero-Dollar Entry for ACH credit prenotification.)

Procedural Instructions—These include the procedures contained in IV TFM, other Treasury instructions issued through the TFAs and Federal Reserve System operating circulars issued consistent with this volume.

Receiving Depository Financial Institution (RDFI)—A financial institution that receives an ACH entry is an RDFI. For an ACH credit entry, the FRB, as fiscal agent, is the RDFI. For an ACH debit entry, the taxpayer's financial institution is the RDFI.

Reclamation Debt Offset—A reclamation debt offset withholds compensation for processing certain FTD coupons from a depository that has cashed U.S. Government checks bearing forged or unauthorized endorsements. This offset process continues until the reclamation debt, plus interest, is paid in full.

Recognized Insurance Coverage—Recognized insurance coverage is the insurance provided by the Federal Deposit Insurance Corporation, National Credit Union Administration or insurance organizations specifi-

cally qualified by the Secretary of the Treasury.

Remittance Option—Remittance Option is an option selected by a depository that processes FTD coupons. Under this option, the amount of deposits credited by the depository to its TT&L account is withdrawn by the FRB for deposit to the TGA on the business day that the FRB receives the AOC supporting such deposits.

Same-Day Payment—Same-day payment refers to the following FR-ETA payment options: Fedline Taxpayer Deposit Application transaction, Fedwire non-value transaction and Fedwire value transfer.

Secretary—Secretary refers to the Secretary of the Treasury or the Secretary's authorized delegate.

Selective Charge—A selective charge is a monetary charge against a depository for failing to date-stamp an FTD coupon (Form 8109) with the same date on which the taxpayer presented the FTD coupon to the depository. (See IV TFM 1-2135.70.)

Settlement Date—This is the scheduled date on which the FRB will debit a financial institution or depository, or its correspondent.

Special Direct Investment (SDI)—An SDI is an investment of Treasury funds in obligations of the depository and a corresponding increase in a depository's note balance. The investment specifically is identified as a "special direct investment" and must be fully secured by collateral retained in the possession of the depository.

Stale-Dated Coupon—A stale-dated coupon is an FTD coupon (Form 8109) not included in the AOC (Form 2284) of the same date as the FTD coupon. Instead, it is included in an AOC of a later date. A stale-dated coupon results in a stale-dated coupon charge. (See IV TFM 1-2135.30.)

Tax Due Date—Tax due date is the day that a Federal tax payment is due to Treasury, as determined by statute and applicable regulation.

Taxpayer Identification Number (TIN)—A TIN is a nine-digit identifier required of all individuals and businesses that file tax returns in the United States. Section 6109 of the Internal Revenue Code of 1986, as amended (26 U.S.C. 6109) describes a TIN.

Transaction Trace Number—The taxpayer's financial institution assigns a transaction trace number to track each ACH credit entry.

Treasury Financial Agent (TFA)—A TFA is a financial institution designated as an agent of Treasury for processing EFTPS enrollments, receiving EFTPS tax payment information and originating ACH debit entries for taxpayers.

Treasury General Account (TGA)—The TGA is an account maintained in the name of the U.S. Treasury at an FRB.

Treasury Tax and Loan (TT&L) Account—A TT&L account is the Treasury account maintained by a depository in which funds are credited by the depository after receiving and collateralizing FTD coupons.

Treasury Tax and Loan Depository (TT&L Depository)—The FRB designates a financial institution as a TT&L depository to maintain a TT&L account and/or note balance. A depository may process Federal tax payments through the EFTPS in addition to maintaining a TT&L account and/or note balance.

Treasury Tax and Loan Investment Program (TT&L IP)—The TT&L IP is the program through which Treasury loans its excess operating funds to designated depositories. Treasury places funds in a TT&L depository's note balance, and the depository pays Treasury interest for the use of the funds. All investments in a depository's note balance must be 100 percent collateralized.

Treasury Tax and Loan (TT&L) Program—The TT&L Program includes the Federal Tax Deposit (FTD) System, the Electronic Federal

Tax Payment System (EFTPS) and the Treasury Tax and Loan Investment Program (TT&L IP). Through the TT&L Program, Treasury collects taxes and other funds and invests its short-term operating cash.

Treasury Tax and Loan (TT&L) Reporting Cycle—The TT&L reporting cycle begins on the first Thursday of each month and ends on the Wednesday preceding the first Thursday of the following month.

Treasury Tax and Loan (TT&L) Weekly Interest Rate Factor—The Federal Reserve provides this rate. The factor is: the weighted average of rates on trades through New York brokers, minus 25 basis points, divided by 360, multiplied by 7 and rounded to the fifth decimal place. The annual rate is for the 7 calendar days ending on Wednesday.

Undated Coupon—An undated coupon is an FTD coupon (Form 8109) that was not properly date-stamped. An undated coupon results in an undated charge. (See IV TFM 1-2135.50.)

Zero-Dollar Entry—A zero-dollar entry is an ACH entry (zero-dollar amount) with payment related remittance data. A taxpayer's financial institution must initiate a zero-dollar entry (cash concentration or disbursement with the tax payment addenda record (CCD+TXP) upon request of the taxpayer before initiating the first live dollar ACH credit entry to the TGA.

Section 2025—Tax Collection Systems Overview

Financial institutions may process Federal tax payments by paper coupons or electronic entries.

2025.10—Federal Tax Deposit (FTD) System

The paper-based FTD system requires that a taxpayer present an FTD coupon and payment to a depository.

The depository completes an AOC summarizing the FTD coupons accepted that business day. It forwards the coupons and a copy of the AOC to the IRS and the original of the AOC to the Managing Reserve Bank, usually electronically via either Fedline or voice response. The following business day, the FRB will charge the depository's reserve account for the amount reported on the AOC. If the depository is a Remittance Option depository, the FRB will credit the TGA. If the depository is a Note Option depository, the FRB will credit the depository's note balance.

2025.20—Electronic Federal Tax Payment System (EFTPS)

The EFTPS requires a taxpayer to enroll with the TFA and select a tax payment method. A taxpayer can make tax payments in EFTPS using an ACH debit or credit or a FR-ETA transaction. The taxpayer initiates an ACH debit through the assigned TFA or an ACH credit or a same-day payment option through a financial institution of its choice. The TFA or financial institution must initiate ACH entries at least 1 business day before the intended settlement date. Financial institutions initiate same-day payment options and settle them that day.

In outline form, the EFTPS includes:

- ACH (future day payment mechanism):
 - ACH debit entry.
 - ACH credit entry.
- FR-ETA (same-day payment mechanism):
 - Fedwire value transfer (Typecode 1000).
 - Fedwire non-value transaction (Typecode 1090).
 - Fedline Taxpayer Deposit Application.

Section 2030—Difference Between Financial Institutions and Depositories

2030.10—Financial Institution

A financial institution participates in the EFTPS by receiving an ACH debit entry or originating an ACH credit entry in payment of a Federal tax liability. It posts the entry to its customer's account. A financial institution also may originate a Fedwire value transfer, Fedwire non-value transaction or Fedline Taxpayer Deposit transaction for payment of a customer's Federal tax liability.

2030.20—Depository

A depository is a financial institution designated as a depository by the FRB, acting as Treasury's fiscal agent. A depository participates in the TT&L Program by any combination of the following:

Federal Tax Deposit System

The paper-based FTD system requires that a taxpayer present an FTD coupon and payment to a depository. The following business day, the depository must submit the AOC to the FRB. The FRB credits the depository's note balance if the depository is a Note Option. For Remittance Option depositories, the FRB charges the depository's reserve account for the amount of the payment and credits the TGA.

Note Option Depository

A Note Option depository is a depository that elects and is designated by the FRB to participate in the TT&L IP. This designation also permits a depository to receive a portion of Treasury's excess operating cash for investment purposes, if the depository so elects. Designation as a Note Option depository is not dependent upon participation in either the FTD system or EFTPS. (See IV TFM

1-2325.60 for Sources of Investments.)

Electronic Federal Tax Payment System

A financial institution designated as a depository is eligible to process payments through EFTPS.

Section 2035—Classification of Depositories

A depository processing FTD coupons may choose to be designated as either a Note Option or Remittance Option depository. A depository also may elect to participate in the TT&L IP as a Note Option depository without processing EFTPS payments or FTD coupons. The options follow.

2035.10—Note Option

Some depositories elect to participate in the TT&L IP as a Note Option depository. This designation allows the depository to receive a portion of Treasury's excess operating cash, which the depository may use for cash investment purposes. (See IV TFM 1-2325.60 for Sources of Investments.)

Treasury invests its excess operating cash in open-ended, interest-bearing notes maintained by the depository.

The FRB places a Note Option depository in Class A, B or C. It classifies a Note Option depository depending on the depository's:

- Total FRB TT&L Application Deposits during the preceding calendar year.
- Deposit liability (both demand and time) as of September 30 of the previous year.
- Investment amount a depository is willing to accept (maximum balance).

Currently, the FRB uses the following classification criteria for placement of a newly designated depository:

(1) **Class A**—Class A includes depositaries that had \$10 million or less in total annual FRB TT&L Application Deposits the preceding calendar year.

(2) **Class B**—Class B includes depositaries that had more than \$10 million, but \$100 million or less in total annual FRB TT&L Application Deposits the preceding calendar year. Also included are depositaries with more than \$100 million in total annual FRB TT&L Application Deposits, but whose total deposit liability (both demand and time) was \$100 million or less on September 30 of the preceding calendar year.

(3) **Class C**—Class C includes depositaries that meet any one or more of the following criteria:

- Depositaries with more than \$100 million in total annual FRB TT&L Application Deposits the preceding calendar year and whose total deposit liability (both demand and time) exceeded \$100 million on September 30 of the preceding year.
- Any depositary with \$5 billion or more in deposit liability (both demand and time) on September 30 of the preceding calendar year.
- Any depositary with a maximum balance of \$250 million or more.

2035.20—Remittance Option

Under this option, the FRB, after receiving the AOC, immediately withdraws funds equivalent to the FTD coupons credited by a depositary to its TT&L account.

The FRB places Remittance Option depositaries in Class 1 or 2. It classifies depositaries depending on their total annual FRB TT&L Application Deposits made during the pre-

ceding calendar year. The FRB usually places a newly designated depositary in Class 2.

Currently, the FRB uses the following classification criteria for placement of Remittance Option depositaries:

(1) **Class 1**—Class 1 includes depositaries that had more than \$10 million in total annual FRB TT&L Application Deposits the preceding calendar year.

(2) **Class 2**—Class 2 includes depositaries that had \$10 million or less in total annual FRB TT&L Application Deposits the preceding calendar year.

2035.30—Annual Reclassification

Annually, Treasury requests that the FRB report individual depositary's annual TT&L Application Deposit flows. Treasury uses this information to determine if the previous year's classification will meet its next-years cash flow needs. The FRB reclassifies the depositaries using Treasury's criteria, or breakpoints (see paragraphs 2035.10 and 2035.20). Treasury may change the classification criteria at any time.

Section 2040—Statements to Depositaries and Financial Institutions

The FRB issues statements to depositaries and financial institutions for all activities under this chapter. If capable, depositaries or financial institutions can receive statements electronically.

2040.10—Statements to Depositaries

After the close of a TT&L reporting cycle, the FRB timely issues

statements to appropriate depositaries. These statements include interest earned by Treasury on note balances (Note Option only) and charges for late delivery or improper processing of AOCs (Remittance Option only). For Note Option depositaries, the statement also includes the average daily balance of the note balance and the interest factor for each week of the reporting cycle. For Remittance Option depositaries, the statement includes the number of calendar days each AOC was late, the daily interest factor and the late fee.

If appropriate, the FRB issues a supplementary statement to depositaries on or about the 10th business day of the month that includes charges for stale and undated FTD coupons. (See IV TFM 1-2135.)

The statement shows:

- The AOC and FTD coupon dates.
- The number of calendar days variance for stale-dated FTD coupons and the number of undated FTD coupons.
- The daily interest rate factor for stale-dated and undated FTD coupons.

For the prior reporting cycle, the statement for both Note and Remittance Option depositaries includes:

- Transaction description (ACH credit or debit, Fedwire non-value transaction, and Fedline Taxpayer Deposit Application).
- File identification and reference numbers.
- FRB process and receive dates.
- Balance/transaction amount.

All AOC activity affecting the depositary's TT&L account.

2040.20—Statements to Financial Institutions

After the close of a TT&L reporting cycle, the FRB timely issues statements to appropriate financial institutions that include charges for late or improper processing of electronic tax payments.

Contacts

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Part 1—Chapter 2100

FEDERAL TAX COLLECTIONS USING THE FEDERAL TAX DEPOSIT SYSTEM

This chapter provides instructions and guidelines for depositaries that process Federal tax collections using the Federal Tax Deposit (FTD) System.

Section 2110—Applicability

Financial institutions designated as depositaries are bound by IV TFM and applicable Federal Reserve Bank (FRB) operating circulars that supplement regulations at Title 31 of the Code of Federal Regulations, Part 203 (31 CFR Part 203). The Treasury Financial Manual (TFM), and its amendments, are available on the Financial Management Service's (FMS's) website: www.fms.treas.gov.

TT&L account for all FTDs over recognized insurance coverage. They must transfer FTDs not secured by collateral or recognized insurance coverage to the FRB before the end of the day on which they received the FTDs. The FRB provides instructions for same-day drawdowns.

On a business day, a depositary having an established cutoff time, after which items or deposits received are dated (for accounting purposes) and considered part of the next business day's work, applies the following procedures for accepting, processing and forwarding FTDs:

- If a depositary's normal business day cutoff is before 2 p.m. local time, it must accept FTD coupons until 2 p.m. FTD coupons accepted before the 2 p.m. cutoff are dated with the current day's date and included in the current day's AOC.
- The depositary must ensure that the date placed on the AOC and on each FTD coupon supporting the AOC is the same.
- If a depositary is open on Saturday but uses the following business day as an accounting date, it may date the FTD coupons with Saturday's date if it forwards the AOCs that day. Otherwise, the depositary dates the FTD coupons as of its next business day and includes them in that business day's AOC.

Section 2115—Authority

Title 31 CFR Part 203 governs designation of Treasury Tax and Loan (TT&L) depositaries that maintain and administer TT&L accounts and/or note balances.

Section 2120—Definitions

See IV TFM 1-2020 for definitions.

Section 2125—Accepting, Dating, Forwarding and Adjustment Procedures for FTDs

2125.10—General

Depositaries must pledge collateral before crediting FTDs to the

- The FTD cutoff must coincide with the depositary's normal business day cutoff, provided the normal business day cutoff is not earlier than 2 p.m. local time. For example, if a depositary's normal business day cutoff is 4 p.m. local time, it must accept FTDs until 4 p.m. The FTD coupons are dated with the current business day's date and reported under an Advice of Credit (AOC) dated the same business day. FTD coupons accepted after the 4 p.m. cutoff are considered part of the next business day's work, dated with the next business day's date and included in the next business day's AOC. Therefore, the depositary does not deduct these FTD coupons from the customer's account nor credit them to the TT&L account until the next day.

2125.15—Forms of Payment

A depositary must accept tax payments in the form of cash, postal money order drawn to the order of the depositary, or a check or draft drawn on and to the order of the depositary with presentment of the FTD coupon. It may accept other forms of payment at its discretion, but it must absorb any float involved. When accepting FTD coupons, either over the counter or through the mail, a depositary must date-stamp these payments on the business date received. When requested, a depositary must issue a receipt to taxpayers making FTD payments in cash.

2125.20—Acceptance

A depository that accepts FTD coupons must accept FTD coupons from all customers or taxpayers that meet the standards set in Section 2125.

2125.25—Corrected, Blank or Photocopied FTD Coupons

If a depository accepts FTD coupons, it must accept FTD coupons on which the preprinted information has been corrected by the taxpayer. Also, it must accept substitute FTD coupons, Form 8109-B. The depository must not accept photocopied FTD coupons. It should instruct taxpayers with photocopied FTD coupons, or no coupons at all, to obtain Form 8109-B from the local IRS office.

2125.30—Magnetic Ink Character Recognition (MICR) Encoding FTD Coupons

MICR encoding the amount of deposit on each FTD coupon is encouraged. In addition to its benefit to internal processing, encoding reduces the volume of IRS requested adjustments. The bottom right-hand corner of the FTD coupon is the only area on the coupon that should contain encoded information.

Note: Do not use check endorsers or similar devices on FTD coupons.

2125.35—Completion and Distribution of Treasury Form 2284: Advice of Credit

Each business day, the depository consolidates all the FTD coupons received and dated that day. It calculates and places the sum of these coupons on the AOC. Additionally, the depository includes a machine listing of FTD amounts with the IRS copy. Depositories must maintain records to identify each FTD coupon with the associated AOC.

To accelerate the classification of Federal tax deposits and reduce the number of IRS requested adjustments to depositories' accounts, a depository should include no more than 100 FTD coupons in each AOC.

(1) Depository Copy. A depository retains the depository copy for its records. It must not release any taxpayer information, including name, deposit amount or taxpayer identification number, to anyone other than the IRS or FRB if applicable. Disclosure of this information is a violation of the statutory provisions of the tax disclosure laws.

(2) FRB Copy. The depository sends the original FRB copy of the completed AOC to the FRB by the fastest delivery method available. The FRB must receive it no later than 2 p.m. Managing Reserve Bank Head Office Local Zone Time (MRB Head Office LZT) on the following business day. Instead of sending the paper copy of the AOC, a depository may elect, or be required by the FRB, to transmit the AOC information electronically, either by Fedline or voice response. If the depository transmits the AOC information electronically, it does not send the paper copy of the AOC to the FRB.

(3) IRS Copy. Each business day, the depository sends the IRS copy of the AOC with the corresponding FTD coupons to its IRS service center immediately upon completion of the AOC. The IRS requests that the depository uses a priority mail method so it can classify customers' tax deposits promptly.

2125.40—Ordering AOC Forms

When a depository's AOC form supply reaches a 60-workday level, it should order AOCs from the FTD coordinator at the local IRS service center.

ter. Upon receipt, the depository should ensure that its name and American Bankers Association (ABA) number on the AOC are correct. It should report any discrepancies to the FTD coordinator at the local IRS service center.

Depositories must use AOCs sequentially and must not submit photocopies of AOCs. The depository should contact the FRB for special instructions if its supply is depleted, or nearly depleted, and a reorder has not arrived.

2125.45—Record Keeping

A depository must establish an adequate record of all Federal tax deposits to identify them in the event FTD coupons are lost in shipment. At a minimum, the record should show:

- Employer identification number.
- Amount of deposit.
- Date of deposit.
- Tax period ending date.
- Type of tax deposited.
- Employer name.

The depository may use its AOC copy for this purpose if the copy lists each deposit separately, showing the above information. Depositories are strongly encouraged to photocopy FTD coupons for use in contesting charges for stale and undated FTD coupons.

Depositories must retain records of FTD coupons and associated AOCs for 36 months from the business day accepted and/or presented.

2125.50—Missing FTD Coupons

A depository may need to reconstruct data on FTD coupons it has mailed to the IRS service center when the coupons cannot be located. For this reason, a depository must retain the records shown in paragraph 2125.45 for the required 36 months. In most instances the IRS, working with the FRB, is the first to discover missing FTD coupons and subse-

quently notifies the depository. If the depository is the first to discover that the FTD coupons are missing, it must reconstruct the lost shipment and contact the FRB as soon as possible.

2125.55—Use of the TT&L Account

A TT&L depository credits FTD coupons to its TT&L account on the business date of receipt, providing there is sufficient requisite insurance and/or collateral. No other accounting method is acceptable. The funds are transferred from the depository's TT&L account to Treasury when the FRB debits the depository's reserve or clearing account, or the reserve account of an FRB correspondent member bank.

2125.60—Adjustments

A depository must reconcile the total of taxpayer remittances and amounts encoded on FTD coupons to the amount on the supporting AOC. It must ensure that the required documents are properly routed to the FRB and IRS (see paragraph 2125.35). A depository also is responsible for promptly reconciling statements.

If an AOC is overstated or understated, the adjustment requires that interest on the understated or overstated amount is paid to the depository or Treasury, whichever was denied the use of funds, except as noted in paragraphs 2125.65 or 2125.70. If the adjustment process is delayed, or adjustments are made in error and must be reversed, interest continues to accrue. The interest rate applied is the TT&L weekly interest rate factor. These procedures maintain the "exchange of value" concept on which the adjustment principles are based. All FRBs apply these adjustment principles uniformly, systemwide, to all depositories except when the concept is abused. For charges against a depository, FRBs may not exercise discretion in waiving or reducing the resultant interest.

For unintentional charges against Treasury (inadvertently overstated AOC), the FRB pays interest on the overstated amount. For charges against Treasury that Treasury has determined are intentional (intentionally overstated AOC), the FRB does not pay interest on the overstated amount.

2125.65—Payments Made in Error

A depository may receive a request from a customer or its agent for a partial or total FTD refund because of an overpayment or a payment made in error. The depository should advise the customer to contact the IRS.

2125.70—Uncollectible Checks and Requests for Refunds

Each depository is expected to contact the taxpayer to obtain restitution for an uncollectible check, whether the check was drawn on that depository or a financial institution. If the depository is unsuccessful, it submits a request for a reversal to the FRB. The depository clearly must support the request for a reversal by documentation. The FRB requires the following information to process the adjustment:

- A copy of the check, front and back, with the reason it failed to clear.
- A statement of collection efforts made.
- The taxpayer's identification number.
- The AOC identification number.

Section 2130—Compensation for Services

Currently, Treasury compensates Remittance Option Class 2 depositories, Note Option Class A depositories and all depositories participating in the Minority Bank De-

posit Program for processing FTD coupons.

2130.10—Computation of Compensation

By the 10th business day of each month, the FRB computes the amount of compensation due depositories. It computes the compensation due by multiplying 50 cents by the number of FTD coupons processed by the depository. The IRS service center reports the number of coupons that a depository processes to the FRB.

2130.20—Payment of Compensation

On the 13th business day of each month, the FRB credits the reserve or clearing account of the depository, or the reserve account of the depository's correspondent member bank.

2130.30—Reclamation Debt Offset

Treasury may instruct an FRB to withhold payment of FTD fees to a depository with outstanding reclamation debt. A financial institution incurs reclamation debt when it cashes U.S. Government checks bearing forged or unauthorized endorsements. The FRB transfers withheld fees to FMS for offset against the TT&L depository's unpaid reclamation debt. The offset process continues until the reclamation debt, plus accrued interest, is paid in full.

Section 2135—Charges for the Improper Processing of Federal Tax Deposits

2135.10—General

A depository must:

- Stamp the date it received the tax deposit and its name and location in the space provided on the face of the FTD coupon.

- Credit all Federal tax deposits to the TT&L account on the date of receipt, providing requisite insurance and/or collateral exist.
- Ensure delivery of the AOC to the FRB by 2 p.m. MRB Head Office LZT on the business day after the day the depository received the deposits supporting the AOC.

2135.20—Description and Effect of Delayed Processing

Treasury charges a depository for the value of funds delayed and imposes a 2-percent (per annum interest rate) penalty. It computes the charge from the date that the FRB should have received the AOC supporting the FTD coupon(s) until the date the FRB receives the deposit.

Under the Treasury Tax and Loan Investment Program (TT&L IP), the FRB computes interest from the first business day after presentment of the FTD coupon. If a depository receives an FTD coupon but the FRB does not receive the AOC supporting that deposit in a timely manner, the Government loses the earnings value of that deposit for the number of calendar days it does not have use of the funds. The FRB imposes the following three charges to ensure proper processing of FTDs:

- Stale-dated FTD coupon charge.
- Undated FTD coupon charge.
- Selective charges.

2135.30—Computation of and Basis for Stale-Dated FTD Coupon Charges

The FRB assesses a stale-dated coupon charge to a depository that forwards to the IRS coupon(s) having a date stamp earlier than the date on the supporting AOC. It determines the charges by multiplying the total delay in 1-day funds for the cycle(s), times the daily interest rate factor for stale-dated FTD coupons for the corresponding TT&L reporting cycle(s).

The FRB issues a monthly statement on or about the 10th business day of each month (see IV TFM 1-2040) detailing the charges to be processed and the basis for the computation. On the 13th business day of each month, the FRB debits the depository's, or designated correspondent's, reserve or clearing account for stale-dated FTD coupons.

2135.40—Appeal Process for Stale-Dated FTD Coupon Charges

A depository may appeal a stale-dated charge by submitting a written request for an adjustment of the charge to the FRB's Fiscal Services Department. The FRB must receive the request no later than 90 calendar days following the date of the charge. The depository must include copies of the FTD coupons and AOC and must adequately describe the circumstances that warrant a reversal of a charge. It should not contact the IRS service center for copies of stale-dated FTD coupons. The IRS service center refers all inquiries to the FRB.

2135.50—Computation of and Basis for Undated FTD Coupon Charges

The FRB levies a charge against any depository that fails to date-stamp an FTD coupon. It determines the monthly charges by multiplying the dollar amount of the undated FTD coupons for the cycle(s), times the interest rate factor for undated FTD coupons for the corresponding TT&L reporting cycle(s). The FRB assesses the charge for 2 calendar days.

The FRB issues a monthly statement on or about the 10th business day of each month (see IV TFM 1-2040) detailing the charges to be processed and the basis for the computation. On the 13th business day of each month, the FRB debits the depository's, or designated correspon-

dent's, reserve or clearing account for undated FTD coupons.

Treasury does not compensate depositories that receive per-item FTD processing fees for FTD coupons submitted without the required date stamp.

2135.60—Appeal Process for Undated FTD Coupon Charges

A depository may appeal an undated charge by submitting a written request for a charge adjustment to the FRB's Fiscal Services Department. The FRB assesses a \$25 administrative charge for each coupon appealed.

The FRB must receive the request no later than 90 calendar days after the date of the charge. A depository should not contact the IRS service center for copies of undated FTD coupons. The IRS service center refers all inquiries to the FRB. The FRB determines if the undated FTD coupons were processed in a timely manner with no delay of funds to Treasury.

If a depository appeals the undated charges, and the FRB determines that there was no delay in funds to Treasury, the FRB reverses the undated charge. However, it assesses a \$25 administrative charge for each undated FTD coupon appealed, even if there was no delay in funds to Treasury.

If the FRB finds that the FTD coupon requested from the IRS service center was dated properly, it reverses the undated coupon charge and does not assess the \$25 administrative charge.

If a depository failed to date a large number of coupons, it should consider appealing only those individual coupons having a computed charge greater than the \$25 administrative charge. Contact the FRB's Fiscal Services Department to discuss this procedure.

2135.70—Computation of and Basis for Selective Charges

A taxpayer penalized by the IRS for late payment of taxes may provide proof to the IRS that the payment was deposited in a timely manner at the depository. In these cases, the IRS abates the taxpayer's penalty and the FMS charges the depository for delayed processing. FMS advises the depository of the charge no later than 1 business day before the charge is debited. It instructs the FRB to debit the depository's, or designated correspondent's, reserve or clearing account for the selective charge.

FMS calculates the charge by multiplying the total dollar amount of the taxpayer's FTD coupon, times the number of calendar days delayed, times the interest rate factor for selective charges for the corresponding TT&L reporting cycle(s).

2135.80—Appeal Process for Selective Charges

A depository may appeal any selective charge by submitting a written request for a charge adjustment to FMS. FMS must receive the request no later than 90 calendar days after the date of the charge. Send the appeal to the address listed in the contacts page.

The Director reviews the appeal within 45 calendar days of receipt and may unilaterally extend the deadline for issuing a decision. The FMS advises the depository, in writing, of the Director's decision to uphold the charge, reverse the charge or mandate another action. The Director's decision is final.

In the event of an over recovery or under recovery of the charge, Treasury reimburses, or instructs the FRB to credit or debit the reserve or clear-

ing account of the depository or its designated correspondent's account, as appropriate.

Section 2140—Computation and Collection of FTD Late Fees

A depository must ensure the FRB receives the AOC by 2 p.m. MRB Head Office LZT on the business day after the day it received the deposits supporting the AOC. If the FRB does not receive the AOC by that time, it charges the depository a late fee.

2140.10—Remittance Option Depositories

The FRB determines the amount of the late fee by multiplying the total dollar amount of the late AOCs, by the daily interest rate factor for late AOCs for the period that the AOCs were late. On the second business day after the close of a TT&L reporting cycle, the FRB collects late fees due Treasury through the depository's, or designated correspondent's, reserve or clearing account. The FRB includes this information in the monthly statement (see IV TFM 1-2040).

2140.20—Note Option Depositories

Operationally, the FRB does not assess Note Option depositories an explicit late fee as it does Remittance Option depositories. Rather, the FRB credits Note Option depositories' note balances on the business day after the date on the AOC, regardless of when it received the AOC. The interest rate is the interest rate factor for the TT&L IP. The FRB does not itemize a separate FTD late fee on a Note

Option depository's monthly statement.

Section 2145—Temporary Secondary TT&L Accounts Due to a Merger

Ordinarily, the FRB in the district where the depository's master account is located maintains the depository's primary TT&L account. A TT&L depository that has merged with a financial institution having operating branches located in a Federal Reserve district different from the head office may elect to establish secondary TT&L account(s). For up to 12 months after the effective date of the merger, these secondary accounts may operate as TT&L depositories under an option and class different from that of the primary account (see IV TFM 1-2330). Contact the FRB for more details regarding the maintenance of TT&L accounts.

The FRB maintains secondary TT&L accounts according to instructions and guidelines for TT&L depositories as set forth in this volume. However, authorized insurance coverage does not apply to the secondary TT&L account. The depository must collateralize 100 percent of the secondary TT&L account and note balances with acceptable collateral (see IV TFM 1-2350).

Unless specifically requested otherwise by the FRB, the surviving TT&L depository may maintain the nonsurvivor's TT&L account for up to 12 months after the effective date of the merger. The surviving TT&L depository may do this without its parent, or head office, completing the necessary forms for the nonsurvivor, if the parent institution has completed the necessary forms on its own behalf.

Contacts

Direct inquiries concerning this chapter and appeals for selective charges to:

Director
Financial Services Division
Financial Management Service
Department of the Treasury
401 14th St., SW., Room 313
Washington, DC 20227
Telephone: 202-874-6580

Part 1—Chapter 2200

FEDERAL TAX COLLECTIONS USING THE ELECTRONIC FEDERAL TAX PAYMENT SYSTEM

This chapter provides instructions and guidelines for financial institutions that process Federal tax collections using the Electronic Federal Tax Payment System (EFTPS).

Section 2210—Applicability

By accepting or originating Federal tax payments, the financial institution is bound by IV TFM and applicable Federal Reserve Bank (FRB) operating circulars that supplement regulations at Title 31 of the Code of Federal Regulations, Part 203 (31 CFR Part 203). The Treasury Financial Manual (TFM), and its amendments, are available on the Financial Management Service's (FMS's) website: www.fms.treas.gov.

Section 2215—Authority

Title 31 CFR Part 203 governs:

- Financial institutions that process Federal tax payments electronically through the EFTPS.
- Designation of Treasury Tax and Loan (TT&L) depositories for maintaining and administering TT&L accounts and/or note balances.
- Collateral security requirements.

Section 2220—Definitions

See IV TFM 1-2020 for definitions.

Section 2225—Electronic Federal Tax Payment System

EFTPS provides an electronic alternative to the paper-based Federal Tax Deposit (FTD) System. It also enables taxpayers to report Federal tax payments and deposits to the Government using electronic reporting methods. Using EFTPS, taxpayers may transfer their payments or deposits using electronic funds transfer (EFT) technologies.

2225.10—Role of Financial Institutions and Depositories

Financial institutions and depositories have an integral role in the tax collection process. With EFTPS, a financial institution or depository chooses the extent to which it will service its customers' Federal tax payment needs.

Financial institutions and depositories may provide the following electronic services to meet their

customers' Federal tax payment needs:

- Receiving ACH debit entries and posting the entries to the customers' account.
- Originating ACH credit entries, at the direction of its customers, to the Department of the Treasury's (Treasury's) account.
- Originating same-day payment transactions to the Treasury account.

2225.20—Role of Treasury's Financial Agents (TFAs)

TFAs do the following:

- Receive, verify and validate taxpayer enrollment data.
- Operate the ACH debit reporting mechanisms (touch-tone phone and personal computer).
- Provide taxpayers with an EFT number that identifies the payment record in EFTPS.

Note: For Internal Revenue Service (IRS) audit purposes, a taxpayer may seek proof of a timely funds transfer from its financial institution. Financial institutions must provide information such as an Automated Clearing House (ACH) trace number, Federal Reserve-Electronic Tax Application (FR-ETA) reference number for Fedline Taxpayer Deposit transactions, or Fedwire input message accountability data (IMAD) number to the taxpayer if requested. To further assist customers, they should use the term "USATAXPYMT" or otherwise clearly identify EFTPS payments on customer account activity statements.

- Originate and deliver ACH debit files to the ACH operator.
- Receive ACH credit files from the ACH operator.
- Validate tax payment detail information and transmit it to the IRS.
- Balance and reconcile EFTPS transactions.
- Respond to taxpayer and financial institution questions through operation of an EFTPS customer service center.

2225.30—Role of the Federal Reserve Bank

FRB, as Treasury's fiscal agent, provides a same-day payment mechanism for the EFTPS referred to as the Federal Reserve-Electronic Tax Application (FR-ETA). FR-ETA uses the FRB funds transfer system and Fedline Taxpayer Deposit Application for same-day payments. The FRB does the following:

- Validates tax payment detail information and transmits this information to the IRS via the TFAs.
- Assigns an EFT number to completed transactions.
- Balances and reconciles system data.
- Responds to financial institution and depository inquiries regarding same-day tax transactions through operation of a FR-ETA customer service unit.

Section 2230—EFTPS Enrollment Processing

Treasury requires that all EFTPS taxpayers complete an enrollment process with the TFA. The taxpayer must enroll regardless of the electronic funds transfer method (ACH debit or credit, or same-day payment) before making its first electronic Federal tax payment via ACH debit or credit.

Note: Taxpayers who change financial institutions or depositories, or who change their accounts within a financial institution or depository, must reenroll with their TFA to use ACH debit. They cannot use the EFTPS Confirmation Update form for account change notification.

2230.10—Enrollment Form Availability

Taxpayers may obtain enrollment forms:

- By calling the TFA's EFTPS Customer Service Center.
- By calling 1-800-TAX-FORM (1-800-829-3676).
- By contacting their financial institution or depository.

Financial institutions may order large quantities of enrollment forms and instructions from the U.S. Government Printing Office (GPO) by calling 202-512-1800 and requesting item numbers 1996-405-503/41602 (enrollment forms) and 1996-615-016/54297 (instructions). They also may request these forms on GPO's website: www.gpo.gov.

Note: GPO charges a fee for the enrollment forms and instructions. Financial institutions should contact GPO directly to obtain the prices.

2230.20—Financial Institution and Depository Enrollment Responsibilities

At the request of a taxpayer that selected ACH debit as a funds transfer method, a financial institution or depository must verify the accuracy of the financial institution's routing

number and the taxpayer account number and account type indicated on the enrollment form. The taxpayer must ensure delivery of the completed enrollment form to the EFTPS enrollment processing center. The financial institution or depository may offer this delivery service to its customers.

2230.30—ACH Debit Prenotification Process

For a taxpayer that selected ACH debit as a payment method, the TFA originates a prenotification entry to the account indicated by the taxpayer on the enrollment form.

Upon receipt of a prenotification entry, the financial institution or depository verifies the taxpayer's account number and account type. If the taxpayer's account number and account type are correct, the financial institution or depository need take no further action. However, if the account number and/or account type are incorrect, the financial institution or depository must initiate a return or notification of change (NOC) entry to Treasury's account within 6 business days of receipt of the original prenotification entry.

Treasury may impose an interest assessment against a financial institution or depository that fails to respond to an incorrect prenotification entry. It assesses interest for the lost value of funds resulting from live ACH debit payments returned because of incorrect account numbers or account type information. Refer to Section 2250 for interest calculation information.

Section 2235—Conditions for Making an EFTPS Payment

A financial institution or depository may establish conditions the taxpayer must satisfy before it will effect the electronic tax transaction. For example, a financial institution or de-

pository may specify a cutoff time for receipt of a customer's Federal tax payment instructions. If conditions are not satisfied, the financial institution or depository may return an ACH debit entry and/or refuse to originate an ACH credit entry or a same-day tax payment.

2235.10—Risk

There are operating risks for a financial institution or depository that processes EFTPS payments and deposits using ACH credit and same-day payment and deposit methods. For example, Treasury may assess a financial institution or depository interest for an incorrect ACH credit entry or same-day payment (see Section 2250). The financial institution or depository does not encounter these risks with ACH debit transactions. The financial institution or depository should establish guidelines consistent with the level of risk it is willing to assume.

2235.20—Guidelines

A financial institution or depository should publish, or otherwise make available to its customers, the guidelines by which it will originate ACH credits and/or same-day Federal tax payments. At a minimum, these guidelines should identify the following:

- The method by which the taxpayer delivers the Federal tax payment instructions to the financial institution or depository for processing.
- The cutoff times by which the taxpayer must deliver the Federal tax payment instructions.
- The method and time by which the financial institution or depository notifies the customer of the success or failure of the transactions.

- The method by which the financial institution or depository delivers the ACH transaction trace number, FR-ETA reference number and/or Fedwire IMAD number to the customer.

Section 2240—Electronic Future-Day Federal Tax Payment Mechanisms (ACH)

EFTPS supports two future-day payment mechanisms: ACH debit and credit. Any financial institution or depository capable of originating and/or receiving ACH transactions, by itself or through a correspondent, may offer these services to its taxpaying customers.

2240.10—ACH Debit

For ACH debit payments, the taxpayer or the taxpayer's agent reports the Federal tax payment information to the TFA using one of the available EFTPS reporting methods. The TFA conducts on-line, real-time editing and validation of the Federal tax payment information. It issues the taxpayer an acknowledgment number to confirm a timely deposit report. The TFA originates the ACH debit entry to the taxpayer's account 1 business day prior to the date designated by the taxpayer for settlement.

ACH Debit Prenotification Instructions

Refer to paragraph 2230.30 for ACH debit prenotification instructions.

Receiving Depository Financial Institution (RDFI) Responsibilities

An RDFI does the following:

- Validates the ACH entries.
- Returns in a timely manner entries that are unpostable.
- Originates in a timely manner NOC entries as appropriate.

An RDFI also uses an NOC when a merger results in changes to the financial institution's routing number and/or the customer account number or type of account.

ACH Debit Corrections

Consistent with standard ACH rules and guidelines, TFAs or RDFIs may take the following actions:

- Returns—An RDFI may return an ACH debit entry. It must originate the return in a timely manner and indicate the appropriate return reason code.
- Dishonored returns—The TFA may dishonor a return entry.
- Contested dishonored returns—The RDFI may originate contested dishonored return entries.
- ACH debit reversal—The TFA may reverse an ACH debit file or entry.

Tax Payment Identification

RDFI should identify Federal tax payments on a customer's statement. For example, the RDFI may use the term, "USATAXPYMT," available in field 7 (company entry description

Note: ACH debit, through EFTPS, offers taxpayers a warehousing capability. Warehousing provides taxpayers the ability to schedule, as soon as the amount is known, future deposits or payments for settlement on the due dates. This feature eliminates the taxpayer burden of remembering to initiate a deposit 1 business day before the tax due date. Using this warehousing capability, business taxpayers may schedule a future-day settlement up to 30 calendar days in advance. Individual taxpayers may schedule a future-day settlement up to 105 calendar days in advance. Taxpayers are encouraged to use the warehousing capability of EFTPS whenever possible.

field) of the ACH company batch header record.

2240.20—ACH Credit

For ACH credit payments, the taxpayer's financial institution originates an ACH credit entry to Treasury's account at the FRB. The Federal tax payment detail is in the ACH credit addenda record. The FRB transmits the payment detail to the TFA for validation and transmission to the IRS.

ACH Credit Prenotification Process

(1) Zero-Dollar Entry with TXP Addenda Record or Prenotification Entry With the Tax Identification Number (TIN) in the Entry Detail Record—At the taxpayer's request, a financial institution or depository originates either:

- A zero-dollar entry with TXP addenda record at least 2 business days prior to the live ACH credit entry.

OR

- A prenotification entry with TIN in the entry detail record to Treasury's account at least 6 business days prior to origination of the first live ACH credit entry.

The TFA's account information is:

- RDFI: Federal Reserve Bank Chicago, IL
Routing transit number (RTN): 71036210
Account number: 04236036
Account name: Treasury General Account

OR

- RDFI: Federal Reserve Bank Atlanta, GA
RTN: 061036000
Account number: 23401009
Account name: Treasury General Account

Before originating the zero-dollar entry with TXP addenda record or prenotification entry with the TIN in the entry detail record, the financial institution or depository must obtain the correct TFA RTN and account number from each taxpayer. Do not assume that all taxpayers are assigned to the same TFA.

The enrollment confirmation package informs the taxpayer of assignment to a specific TFA. If the taxpayer has not received the enrollment confirmation package, including the payment instruction booklet, the financial institution should refer the taxpayer to the EFTPS Customer Service Center.

(2) Return of a Zero-Dollar or Prenotification Entry—The TFA reviews all zero-dollar and prenotification entries. If the entries contain incorrect taxpayer information (for example, the TIN in the entry detail record is missing or invalid) or if the taxpayer is not enrolled in EFTPS, the TFA returns the entry to the originating depository financial institution (ODFI). The TFA must return the zero-dollar entry so it is available to the ODFI no later than the opening of business on the second business day following the settlement date of the original zero-dollar entry. The TFA must return the prenotification entry so it is available to the ODFI no later than opening of business on the sixth business day following the settlement date of the original prenotification entry.

The taxpayer's financial institution carefully reviews and makes any necessary corrections to the information before originating another zero-dollar or prenotification entry. The financial institution or depository may contact the appropriate EFTPS TFA help line for assistance. The TFA help line numbers for financial institutions, as of the date of

this document, are: Bank of America 1-800-605-9876 and BankOne 1-800-945-7900.

(3) Failure to Originate a Zero-Dollar or Prenotification Entry—Treasury may assess interest to a financial institution or depository that fails to originate a zero-dollar or prenotification entry at a taxpayer's request, causing a future ACH credit entry(s) to be returned. It assesses interest for the lost value of funds. Refer to Section 2250 for interest calculation information.

(4) ODFI Responsibilities for Originating an EFTPS ACH Credit—An ODFI must originate ACH credit entries at least 1 business day prior to the date the taxpayer requires the payment to settle. It originates the payment using the cash concentration or disbursement ACH format with tax payment addenda record (CCD+TXP) banking convention to the appropriate Treasury RTN and account number.

(5) Tax Payment Identification—The ODFI should identify Federal tax payments on a customer's statement. For example the ODFI may use the term, "USATAXPYMT," available in field 7 (company entry description field) of the ACH company batch header record.

(6) ACH Credit Corrections—Consistent with ACH rules and guidelines, the following ACH credit corrections are permitted:

- **Reversals**—An ODFI may initiate an ACH credit reversal for a duplicate or erroneous file or entry. A reversal of a Federal tax payment may subject the taxpayer to an IRS late payment penalty. Therefore, the ODFI should use caution when processing a reversal for a Federal tax payment. It does not need IRS approval prior to originating an ACH credit reversal.

- Returns—The TFA may return an ACH credit entry if it is unable to identify the entry as a Federal tax payment or if the TIN is invalid. A financial institution or depository must notify its customers in a timely manner of any failed transaction.

- Dishonored returns—The ODFI may dishonor an ACH credit return.

- Contested dishonored returns—The TFA may contest a dishonored return.

(7) **Notification of Change**—The TFA may originate NOC entries, when needed.

Section 2245—Electronic Same-Day Federal Tax Payment Mechanisms

FRBs provide the following electronic same-day payment alternatives for the deposit and payment of Federal taxes:

- Fedwire value (Typecode 1000) transfer.
- Fedwire non-value (Typecode 1090) transaction.
- Fedline Taxpayer Deposit Application transaction.

Both the Fedwire non-value and the Fedline Taxpayer Deposit Application have preformatted screens for entering taxpayer detail and contain built-in edits for editing tax information.

Financial institutions may obtain detailed information on format, cancellation procedures, adjustments and interface with the investment program from the FRB's Electronic Payments Customer Support Staff.

Note: All times provided in Section 2245 are expressed in Managing Reserve Bank Head Office Local Zone Time (MRB Head Office LZT).

2245.10—Deadline for Transmission of Same-Day Federal Tax Payments

A financial institution must send same-day Federal tax payments so that the FRB receives them no later than 2 p.m. local MRB Head Office LZT. That is, the financial institution or depository, or a taxpayer using a customer delivery system, must send the payment to ensure receipt at the FRB through which it originates and settles the transaction by 2 p.m. MRB Head Office LZT. The FRB returns tax deposits received after the 2 p.m. MRB Head Office LZT cutoff time to the originator. The taxpayer, financial institution or depository may be assessed a late fee for returned tax payments.

2245.20—Fedwire Value (Typecode 1000) Transfer Settlement

Fedwire value tax payments settle immediately. The financial institution's reserve account is debited and Treasury's account is credited on the day of the transfer. There is no interface between the Fedwire value payment and the Treasury Tax and Loan Investment Program (TT&L IP). That is, the FRB does not post the funds to the note balance of TT&L Note Option depositories.

2245.30—Fedwire Value (Typecode 1000) Transfer Format

The Fedwire value tax payment uses a specific format and a CTR product code. Fedwire value message fields 4200 "Beneficiary" and 6000 "Originator to Beneficiary Information" provide tax payment detail. Contact the FRB's Electronic Payments Customer Support Staff for detailed format information.

2245.40—Fedwire Non-Value (Typecode 1090) Transaction Settlement

The FRB's TT&L system settles Fedwire non-value transactions at the end of the business day. Contact the FRB's Fiscal Services Department for further information.

TT&L Note Option Depository

The FRB posts Fedwire non-value transactions to the depository's note balance on the day of the transaction. It withdraws any amounts over the depository's maximum balance and charges them to the depository's, or its designated correspondent's, reserve account at the end of the business day.

TT&L Remittance Option Depository or Financial Institution

A financial institution that initiates a Fedwire non-value tax payment authorizes the FRB to debit its reserve account for the amount of the tax payment. A TT&L depository that initiates a Fedwire non-value tax payment authorizes the FRB to debit its, or its designated TT&L correspondent's, reserve account for the amount of the tax payment.

2245.50—Fedwire Non-Value (Typecode 1090) Transaction Format

The Fedwire non-value tax payment uses a specific format and an

IRS product code. Fedwire non-value message fields 4200 “Beneficiary” and 6000 “Originator to Beneficiary Information” provide tax payment detail.

Traditionally, a Fedwire non-value message has been a service or administrative message that carried no dollar value. Consequently, a financial institution did not make any corresponding accounting entries when processing this type of message. However, because the Fedwire non-value transaction combined with the IRS product code used to process tax payments results in settlement through the TT&L system, a financial institution may need to make accounting entries to debit its customer. Financial institutions may need to edit on the 1090 Typecode in combination with the IRS product code to identify the Fedwire non-value tax payments that settled through the TT&L system and require customer accounting. Contact the FRB’s Electronic Payments Customer Support Staff for additional format information, including the format for processing bulk filer tax payments.

2245.60—Fedline Taxpayer Deposit Application Settlement

The Fedline Taxpayer Deposit Application is an alternative payment method to the Fedwire non-value transaction. A financial institution initiates a Fedline taxpayer deposit transaction using the FRB’s Fedline Taxpayer Deposit Application. The FRB’s TT&L system settles Fedline taxpayer deposit transactions at the end of the business day. Contact the FRB’s Fiscal Services Department for additional information.

TT&L Note Option Depository

The FRB posts Fedline taxpayer deposit transactions to the deposi-

tary’s note balance on the day of the transaction. It withdraws any amount over the depository’s maximum balance and charges it to the depository’s, or its designated TT&L correspondent’s, reserve account at the end of the business day.

TT&L Remittance Option Depository and Financial Institution

A financial institution that initiates a Fedline taxpayer deposit transaction authorizes the administrative FRB to process the transaction through the TT&L system and debit its reserve account. A TT&L depository that initiates a Fedline taxpayer deposit transaction authorizes the FRB to debit its, or its designated TT&L correspondent’s, reserve account for the amount of the tax payment.

2245.70—Fedline Taxpayer Deposit Application Format

The Fedline Taxpayer Deposit Application has preformatted screens for entering taxpayer detail and contains built-in edits for editing tax information. The FRB’s Fiscal Services Department provides the Fedline software for this application to financial institutions and depositories upon request.

Note: The Fedline Taxpayer Deposit Application is separate from the Fedline TT&L Application that depositories currently may be using to report AOCs in the Federal Tax Deposit system.

2245.80—Correction of Erroneous Same-Day Federal Tax Payments by Financial Institutions and Depositories

Contact the FRB’s Fiscal Services Department for detailed cancellation and adjustment procedures.

Correction of Erroneous Entries Before the 2 p.m. MRB Head Office LZT Cutoff on Settlement Day

A financial institution may correct erroneous same-day Federal tax payments by canceling the erroneous transaction and, if applicable, initiating a corrected transaction before 2 p.m. on the settlement date. The cancellation must be for the total dollar amount of the original transaction. Contact the FRB’s Fiscal Services Department for additional information.

- **Fedwire Value Transaction—** Upon receipt of the request to cancel a Fedwire value message, FR-ETA returns the funds to the originating financial institution if before the 2 p.m. MRB Head Office LZT cutoff. If applicable, the financial institution may initiate a corrected Fedwire value payment before the 2 p.m. MRB Head Office LZT cutoff.
- **Fedwire Non-Value and Fedline Taxpayer Deposit Application** — Upon receipt of the request to cancel a Fedwire non-value or Fedline Taxpayer Deposit Application transaction, FR-ETA cancels the transaction if received before the 2 p.m. MRB Head Office LZT cutoff. The FRB does not create accounting entries to effect settlement of canceled transactions. If applicable, the financial institution may initiate a corrected transaction before the 2 p.m. MRB Head Office LZT cutoff.

Correction of Erroneous Entries After 2 p.m. MRB Head Office LZT on Settlement Day

Requests for adjustments made after the 2 p.m. MRB Head Office LZT cutoff are referred to as reversals. The financial institution or depository must contact the FRB's Fiscal Services Department as soon as possible to provide an explanation of the error and request an offset, or it may use the Fedline Taxpayer Deposit Application's reversal screen. A financial institution or depository may request a reversal from the FRB up to 5 business days after the original transaction. After that time, it must make the request directly to the IRS.

2245.90—Rejection or Reversal of Same-Day Federal Tax Payment by the FRB and IRS

The FRB may reject a same-day Federal tax payment for the following reasons:

- Insufficient funds in the financial institution's or depository's reserve account.
- Initiation after 2 p.m. MRB Head Office LZT.
- Non-EFTPS enrolled taxpayer identification number.
- Non-conformance to the edit and format requirements as prescribed by the IRS.

The IRS may reverse a same-day Federal tax payment because of an overpayment.

The financial institution or depository must notify its customers in a timely manner of a rejection or reversal that results in a deposit or payment not settling on the taxpayer's requested settlement date.

Section 2250—Interest Assessment for the Improper Processing of Electronic Federal Tax Payments

2250.10—Computation and Basis of Interest Assessment for Improper Processing of EFT Payments

Treasury may charge a financial institution or depository for the value of delayed Federal tax payments. It may assess this charge if the taxpayer meets the financial institution's or depository's conditions for making an EFT deposit or payment (Sections 2230 and 2235), and the financial institution or depository fails to process the payment properly. Interest is assessed from the date the Federal tax payment should have settled to the Treasury General Account (TGA) to the date the payment actually settled to the TGA. Treasury assesses a financial institution or depository interest to recoup the earnings value of funds lost. It computes the assessed interest using the interest rate factor for interest assessments under EFTPS.

Treasury assesses interest from the day the taxpayer specified settlement to Treasury until receipt of the payment by Treasury. It determines the assessed interest by multiplying the total delay in 1-day funds for the cycle(s) by the daily interest rate factor for interest assessments under EFTPS for each week of the corresponding TT&L cycle(s).

The FRB, at the direction of the FMS, debits the financial institution's or depository's reserve account, or the account of its designated correspondent, for the amount of the interest assessment.

2250.20—Financial Institution and Depository Limitation of Liability

Financial institution and depository liability is subject to the following limitations:

- For ACH debit transactions, interest is limited to no more than 7 calendar days.
- For ACH credit and same-day transactions, interest is limited to no more than 45 calendar days.

The limitation of liability does not apply to any interest assessment in which there is unauthorized use, indication of fraud, presentation of a false claim, or misrepresentation or embezzlement on the part of the financial institution or depository, or any of its employees or agents.

2250.30—Unauthorized ACH Entries to the TGA

A financial institution or depository must not originate an ACH entry that results in an unauthorized debit to the TGA.

2250.40—Computation and Basis of Charges for Unauthorized ACH Entries to the TGA

A financial institution or depository that originates an unauthorized ACH entry to debit the TGA is liable for the amount of the transaction and charges. Treasury determines the interest charge by multiplying the amount of the unauthorized entry for each calendar day by an interest rate equal to the Federal funds rate of interest plus 2 percent. It calculates the interest charge from the date the TGA was debited to the date the TGA was credited.

Per 31 CFR Part 203.15, there is no limitation of liability, either time or amount, for unauthorized ACH entries to the TGA. This does not preclude any other sanctions.

The FRB, at the direction of the FMS, debits the financial institution's or depository's reserve account, or the account of its designated correspondent, for the amount of the charge.

**2250.50—Appeal Process
for Interest Assessments**

A financial institution or depository may appeal any interest assessment or charge imposed under Section 2250 by contacting the FRB's Fiscal Services Department.

A financial institution or depository dissatisfied with an appeal decision from the FRB may initiate a final appeal to the FMS. FMS must receive the written final appeal no later than 90 calendar days following the date of the charge or assessment or 90

days from the date of the FRB's decision on the initial appeal. A final appeal to FMS must include appropriate and sufficient documentation to justify a reversal or reduction of the assessment or charge. Send the final appeal to the address listed in the Contacts page.

The Director reviews the appeal within 45 calendar days of receipt and may unilaterally extend the deadline for issuing a decision by providing written notice of the extension and an anticipated final ruling date.

FMS advises the financial institution or depository, in writing, of the Director's decision to uphold the assessment or charge, reverse the assessment or charge, or mandate another action. The Director's decision is final.

In the event of an over recovery or under recovery of the assessment or charge, Treasury reimburses by instructing the FRB to credit or debit the reserve or clearing account of the financial institution or depository, or its designated correspondent's account, as appropriate.

Contacts

Direct inquiries concerning this chapter and final appeals to:

Director
Financial Services Division
Financial Management Service
Department of the Treasury
401 14th St., SW., Room 313
Washington, DC 20227
Telephone: 202-874-6580

Part 1—Chapter 2300

TREASURY TAX AND LOAN INVESTMENT PROGRAM

This chapter provides instructions and guidelines for depositaries that participate in the Treasury Tax and Loan Investment Program (TT&L IP).

Section 2310—Applicability

By accepting or originating Federal tax payments, the depositary is bound by IV TFM and applicable Federal Reserve Bank (FRB) operating circulars that supplement regulations at Title 31 of the Code of Federal Regulations, Part 203 (31 CFR Part 203). The Treasury Financial Manual (TFM), and its amendments, are available on the Financial Management Service's (FMS's) website: www.fms.treas.gov.

Section 2315—Authority

Title 31 CFR Part 203 governs:

- Treasury Tax and Loan (TT&L) depositaries that maintain and administer TT&L accounts and/or note balances.
- Collateral security requirements.

Section 2320—Definitions

See IV TFM 1-2020 for definitions.

Section 2325—Investment Program

Treasury uses the TT&L IP to temporarily invest excess operating funds. It invests funds in obligations of financial institutions designated as Note Option depositaries. Such obligations are in the form of open-ended

notes. The FRB reflects additions and reductions on its books. The FRB may require that depositaries participating in the investment program be electronically connected to the FRB. TT&L depositaries must pledge collateral to secure all funds invested with the TT&L IP per Section 2350.

2325.10—Eligibility

Any financial institution may apply to participate in the TT&L IP. Approval is based on the financial institution's financial condition as determined by the FRB, acting as Treasury's fiscal agent. If the financial institution is a State chartered bank or credit union, approval is based on the opinion of the State chartering authority.

2325.20—Application Process

To apply, a financial institution completes FMS 458: Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depositary, and FMS 459: Resolution Authorizing the Financial Institution Agreement and Application for Designation as a Treasury Tax and Loan Depositary. It selects the Note Option on FMS 458. If the depositary is already a Remittance Option depositary, it completes an Election of Option Form. Financial institutions may obtain forms FMS 458 and 459 and the Election of Option Form from the FRB's Fiscal Services Department. The FRB certifies the financial institution as a depositary and pro-

vides notification of acceptance if approved.

2325.30—Effective Date

Following the application process, the FRB places the depositary in the Note Option as of the beginning of the next TT&L reporting cycle. Contact the FRB's Fiscal Services Department for the effective start date.

2325.40—Maximum Balance

Note Option depositaries declare an acceptable maximum investment amount (maximum balance) with the FRB. A depositary may change its maximum balance by notifying the FRB at least 1 business day in advance. However, a depositary should not change its maximum balance frequently. The FRB may impose sanctions on depositaries that frequently reduce their maximum balance without 1 business day advance notice. The established maximum balance must be at least \$25,000.

2325.50—Collateralization of Note Balances

Treasury requires that a depositary's maximum balance be fully secured by a pledge of collateral at all times (see Section 2350). This applies unless the depositary is participating in the Direct Investment (DI) or Special Direct Investment (SDI)

Program (see Sections 2335 and 2340).

2325.60—Sources of Investments

Funds invested in a depository's note balance include monies received as FTD coupons, EFTPS Automated Clearing House (ACH) credit and debit entries, Fedwire non-value transactions, and Fedline Taxpayer Deposit Applications.

FTD Coupons

A TT&L depository posts the funds remitted with FTD coupons to its TT&L account on the business day of the taxpayer's deposit. The FRB posts the amount on the Advice of Credit (AOC) to the depository's note balance on the business day after the date shown on the AOC. These funds remain invested in the note balance until removed through a Treasury-initiated withdrawal. In addition, the FRB automatically withdraws all funds in excess of the depository's maximum balance.

EFTPS ACH Credit and Debit Entries

The FRB posts ACH tax payments to the note balance on the day of settlement. Both the ACH debit and credit transfer mechanisms result in a debit to the reserve account of the depository, or its designated correspondent, and a credit to Treasury for the amount of the ACH tax deposit or payment at the appropriate ACH posting time. The FRB posts ACH credits at 8:30 a.m. eastern time and debits at 11 a.m. eastern time.

Each business day, EFTPS provides summary files to the FRBs containing ACH tax deposit or payment activity for financial institutions and depositories in their districts. The FRBs process this information through the TT&L system. For a Note Option depository, this process includes crediting the reserve account (or designated TT&L correspondent's reserve account) and posting the funds to the depository's

note balance for the amount of the ACH activity. This process offsets the resulting debit to the reserve account balance for the same ACH transaction. These funds remain invested in the note balance until removed through a Treasury-initiated withdrawal. In addition, the FRB automatically withdraws all funds in excess of the depository's maximum balance.

EFTPS Fedwire Non-Value and Fedline Taxpayer Deposit Application Transactions

The FRB posts Fedwire non-value and Fedline Taxpayer Deposit Application transactions to the note balance before close of business on the day of settlement. These funds remain invested in the note balance until removed through a Treasury-initiated withdrawal. In addition, the FRB automatically withdraws all funds in excess of the depository's maximum balance.

EFTPS Fedwire Value (Typecode 1000) Payments

EFTPS Fedwire value payments are not sources of investments. Therefore, the FRB does not post them to the note balance. It debits Fedwire value tax payments against the reserve account of the financial institution or depository and credits them to the Treasury General Account (TGA) immediately upon receipt.

Additional Sources of Investments

The DI and SDI Programs provide additional investment sources to Note Option depositories (see Sections 2335 and 2340).

2325.70—Same-Day Drawdowns

Treasury requires that depositories pledge sufficient, acceptable collateral to prevent collateral deficiencies. Occasionally, the depository receives large deposits

through the paper-based FTD system that the depository cannot fully collateralize. To avoid a collateral deficiency, depositories may request the FRB withdraw all or a portion of the deposits received that business day. The FRB's Fiscal Services Department provides procedures for same-day drawdowns.

2325.80—Withdrawal (Call) of Balances

The Secretary of the Treasury directs calls for payment of note balances through the FRBs. The FRB determines a call of balance by the depository's class. (For information on depository classes, see IV TFM 1-2035.) Treasury attempts to provide advance notice whenever possible as determined by the depository's class. However, the amount of the note balance is payable on demand without prior notice. Generally, the following apply for each of the classes.

The FRB gives Note Option Class A depositories 5 business days' notice. It contacts them by Fedline, voice response or mail. The FRB posts the call to the note balance and debits the reserve account on the date specified in the notice.

The FRB gives Note Option Class B depositories 3 business days' notice. It contacts them by Fedline, voice response or mail. The FRB posts the call to the note balance and debits the reserve account on the date specified in the notice.

The FRB gives Note Option Class C depositories either 1 business day prior or same business day notice as determined by Treasury.

- One business day prior notice—The FRB contacts the depository by Fedline, voice response or telephone by noon eastern time 1 business day before the call. It posts the call to the note balance and debits the reserve account on the date specified in the notice.

- Same-day notice—The FRB contacts the depository by Fedline, voice response or telephone by noon eastern time on the business day of the call. It posts the call to the note balance and debits the reserve account by the end of the business day.

Section 2330—Changes of Option for TT&L Depositories

A depository may change options (between note and remittance) by providing notice to the FRB's Fiscal Services Department at least 5 business days before the next reporting cycle. The depository is subject to the provisions of the existing option until it receives formal notification from the FRB of the change in option. All changes are effective as of the beginning of a reporting cycle. A depository should not change options more than three times annually.

2330.10—Note Option Depository

Upon notification of change from Note Option to Remittance Option, the FRB does the following:

- Withdraws the note balance on its books on the effective date of the change to the Remittance Option. The FRB does not process any calls for payment with an effective date after the change in option.
- Places a depository in Remittance Class 1 or 2 (see IV TFM 1-2035).
- Processes all FRB TT&L Application Deposits received or settled on and after the effective date of change per Remittance Option procedures.

2330.20—Remittance Option Depository

Upon notification of change from Remittance Option to Note Option, the FRB does the following:

- Places a depository in Note Option Class A, B or C (see IV TFM 1-2035).
- Processes all FRB TT&L Application Deposits received or settled on and after the effective date of change per Note Option procedures.
- Subjects all AOCs dated before, but received after, the effective date to Remittance Option requirements for the time between the AOC date and the effective date of the change in option. The FRB adds the amount of these AOCs to the note balance as of the effective date of the change in option. If an assessment of late charges is in order, the FRB assesses it for the time before the effective date of the change in option.

2330.30—Termination of Acceptance of FTD Coupons

A depository may stop accepting FTD coupons after written notification to the FRB's Fiscal Services Department.

Customer Notification

A depository should give its customers a minimum of 60 calendar days notice (90 calendar days is preferable) of its decision to terminate acceptance of FTD coupons. As a customer service, depositories should make EFTPS enrollment forms available to their customers.

Note Option Impact

Termination of FTD processing functions does not affect a depository's right to participate in the TT&L IP. Credits to the note balance may include ACH debit and credit entries, Fedwire non-value transactions, and Fedline Taxpayer Deposit Application transactions. Termination of FTD coupon processing functions does not affect the depository's ability to process EFTPS transactions.

Remittance Option Impact

Termination of FTD coupon processing functions does not affect the depository's ability to process EFTPS transactions. The term "Remittance Option" relates to the processing of FTD coupons. Therefore, when the FRB accepts a Remittance Option depository's decision to terminate FTD coupon processing, the Remittance Option depository becomes a financial institution (a financial institution processing EFTPS deposits and payments) for purposes of IV TFM. This applies unless it chooses to become a Note Option depository.

Section 2335—Direct Investment (DI) Program

The DI Program offers a portion of Treasury's excess operating funds directly to those Note Option depositories that elect to receive these investments. The FRB may require that depositories participating in the DI Program be electronically connected to the FRB.

2335.10—DI Application Process

A depository electing to participate in the DI Program must submit a completed Offer to Receive Direct Investments form. The depository obtains the form from and submits it to the FRB's Fiscal Services Department. A depository must elect one of the DI notification arrangement options listed in paragraph 2335.15. The FRB notifies the depository of the effective date it qualifies to act under the elected notification arrangement.

A depository is bound to the elected arrangement until it formally submits a written change request to the FRB and the FRB processes the request.

2335.15—DI Notification Arrangements

The difference between the depository's maximum balance and its current note balance is called capacity. The FRB distributes DI funds on the basis of capacity to participating depositories per the following notification arrangements:

One-Day Prior Notice

The FRB notifies each depository participating under the 1-day prior notice arrangement of a DI 1 business day before posting the funds to the depository's, or its TT&L correspondent's, reserve account.

Same-Day Notice

Depositories electing to participate in the 1-day prior notice arrangement may also elect to participate in the same-day notice arrangement. Under the same-day notice arrangement, the FRB notifies a depository of a DI on the same-day, and at the same approximate time, as it credits the funds to the reserve account of the depository or its TT&L correspondent.

2335.20—DI Program Distribution

The FRB distributes DI funds to each participant on either a 1-day prior notice arrangement or a 1-day prior notice and same-day notice arrangement (see paragraph 2335.15). It distributes DI funds on the basis of capacity.

2335.25—Examples of DI Distributions

Example: 1-Day Prior Notice

The total capacity of all DI depositories electing 1-day prior notice distributions is \$6 billion at the close of business on Tuesday (day one). Treasury elects to directly invest \$3 billion on Thursday (day three). The FRB would calculate and distribute this DI based on the capacity of Tuesday (day one) and would

announce it on Wednesday (day two). On Thursday (day three), the FRB would distribute to each 1-day prior notice depository DI funds equal to 50 percent of each individual depository's Tuesday (day one) available capacity.

Using the information in the above example: On Wednesday, the FRB would notify a depository with a preestablished maximum balance of \$500 million and a closing balance on Tuesday of \$200 million that it will receive a transfer of \$150 million of Treasury's excess operating funds (50 percent of its \$300 million available capacity). On Thursday, the FRB would credit the DI funds to the reserve account of the depository or its TT&L correspondent and add them to the depository's note balance.

Example: Same-Day Notice

The total capacity of all DI depositories electing same-day notice is \$4 billion at the close of business on Tuesday (day one). Treasury elects to directly invest \$1 billion on Wednesday (day two). Therefore, on Wednesday, the FRB would distribute to each same-day notice depository DI funds equal to 25 percent of each individual depository's available capacity.

Using the information in the above example: On Wednesday, the FRB would notify a depository with a preestablished maximum balance of \$700 million and a closing balance on Tuesday of \$300 million that it will receive a DI of \$100 million of Treasury's excess operating funds (25 percent of its \$400 million available capacity). The FRB would credit the DI funds to the reserve account of the depository or its TT&L correspondent and add them to the depository's note balance on Wednesday.

2335.30—DI Maximum Balance

DI depositories must declare an acceptable maximum investment amount with the FRB's Fiscal Service Department. The established maximum balance for depositories

participating in the DI Program must be at least \$125,000. The maximum balance for the DI Program should be higher than the depository's daily peak balance normally generated by its FRB TT&L Application Deposits.

The FRB, at its discretion, may permit the depository to reduce its maximum balance below \$125,000 on a temporary basis.

To change the amount of its maximum balance, the depository must provide the FRB at least 1 business day advance notice of the change. A depository should not change its maximum balance frequently. The FRB may impose sanctions on a depository that frequently reduces its maximum balance.

2335.35—DI Announcements

Depending on the services provided by the FRB, it may notify depositories of a DI by Fedline or telephone.

The FRB notifies DI depositories under the 1-day prior notice arrangement by 12:30 p.m. Managing Reserve Bank Head Office Local Zone Time (MRB Head Office LZT) on the business day before it places DI funds in the depository's, or its TT&L correspondent's, reserve account.

Under the same-day notice arrangement, the FRB notifies DI depositories by 12:30 p.m. MRB Head Office LZT on the business day it places DI funds in the depository's, or its TT&L correspondent's, reserve account.

2335.40—Timing for DI Funds

The FRB posts DI funds to a depository's note balance at the same time the funds are credited to the reserve account of the depository or its TT&L correspondent. Under the 1-day prior notice arrangement, it posts DI funds to the depository's note balance and credits them to the depository's reserve account on the day of placement (1 business day after the day of announcement). The

FRB posts DI funds under the same-day notice arrangement to the depository's note balance and credits them to the depository's, or its TT&L correspondent's, reserve account no later than the day of announcement.

Interest begins to accrue on the date the FRB posts the funds to the depository's note balance.

2335.45—Withdrawal (Call) of Balances Placed as DIs

The FRB does not differentiate funds received by depositories under the DI Program from any other part of the depository's note balance. Therefore, these balances are subject to call on the same basis as any other part of the note balance, under the call procedures applying to the depository's class (see paragraph 2325.80).

2335.50—DIs Not Included in Totals Used for Reclassification

Annually, the FRB reclassifies Note Option depositories into Classes A, B and C (see IV TFM 1-2035). It classifies a depository based on its:

- FRB TT&L Application Deposits during the previous calendar year.
- Deposit liability (both demand and time) as of September 30 of the previous year.
- Maximum balance.

The FRB does not include funds received by depositories under the DI Program in the figures used for reclassification.

2335.55—Collateral Requirement for DI Balances

A depository must secure its note balance by a pledge of collateral per Section 2350. A DI depository sets a maximum balance, for DI fund purposes, higher than its anticipated daily peak FRB TT&L Application Deposits. Treasury does not require that the DI depository pledge collateral continuously in the amount of the preestablished maximum balance.

However, it does require that each DI depository be prepared to pledge additional collateral no later than the day the DI is placed. The collateral must cover the total FRB TT&L Application Deposits and DI funds received. The FRB must receive acceptable and sufficient collateral before the end of the day the DI is placed. If a DI depository has a history of frequent collateral deficiencies, Treasury may require that the depository pledge collateral equal to its preestablished maximum balance.

Section 2340—Special Direct Investment (SDI) Program

An SDI is a placement of Treasury's excess operating funds secured by an off-premises collateral (OPC) arrangement. The FRB may require that depositories participating in the SDI Program be connected electronically to the FRB.

Treasury, as a creditor and acting through the FRBs, obtains a perfected security interest in collateral pledged by a depository to secure an SDI. Treasury does not take possession of the collateral pledged for a 21-day period from the time the security interest in the collateral attaches (that is, when the FRB credits SDI funds to the depository's reserve account). A written security agreement must be in effect, and the debtor must have rights in the collateral. Because of the 21-day limit, Treasury's internal procedures ensure that balances placed with depositories under SDIs do not remain with depositories longer than 21 calendar days.

2340.10—Eligibility Requirements

A depository electing to participate in the SDI Program must:

- Currently participate in the DI Program (see Section 2335).
- Pledge OPC collateral in a minimum amount of \$2.5 million. The amount of collateral pledged under the OPC ar-

angement cannot exceed an amount equal to 10 percent of a depository's total assets based on the depository's December call report or yearend balance sheet.

- Abide by the same terms and conditions of the FRB's Borrower-in-Custody of Collateral (BIC) Program used by depositories to secure borrowings from the FRB. For BIC requirements, contact the FRB's Fiscal Services Department.

2340.15—SDI Application Process

A depository electing to participate in the SDI Program must submit a completed Agreement to Secure Special Direct Investment form to the FRB's Fiscal Services Department. The depository must submit a completed security agreement and other FRB required forms or statements with the form. The FRB reviews the forms and other information for compliance with prescribed terms and eligibility requirements. A depository must elect one of the SDI notification arrangements listed in paragraph 2340.20. The FRB notifies the depository of the effective date it qualifies to act under the elected notification arrangement.

The FRB's Fiscal Services Department provides all the required forms. In addition, it provides instructions to establish the OPC arrangement.

A depository is bound to the elected arrangement until it formally submits a written change request to the FRB and the FRB processes the request.

2340.20—SDI Notification Arrangements

The FRB announces an SDI in the same way it currently announces placement of funds in the DI Program. The difference between the de-

positary's collateral value (see paragraphs 2340.65, Collateral Valuation, and 2350.20) pledged to the SDI Program and its current SDI balance is called the SDI capacity. The FRB distributes SDI balances based on SDI capacity to participating depositories per the following notification arrangements.

One-Day Prior Notice

The FRB notifies each depository participating under the 1-day prior notice arrangement of an SDI 1 business day before it distributes the funds.

Same-Day Notice

Depositories electing to participate in the 1-day prior notice arrangement also may elect to participate in the same-day notice arrangement. Under the same-day notice arrangement, the FRB notifies a depository of an SDI on the same day, and at the same approximate time, as it credits the funds to the reserve account of the depository or its TT&L correspondent.

2340.25—SDI Program Distribution

The FRB distributes SDI funds to each participant on either a 1-day prior notice arrangement or a 1-day prior notice and same-day notice arrangement. It distributes SDI funds based on SDI capacity.

2340.30—Examples of SDI Distributions

Example: 1-Day Prior Notice

The total capacity of all SDI depositories electing 1-day prior notice is \$6 billion at the close of business on Tuesday (day one). Treasury elects to directly invest \$3 billion on Thursday (day three). The FRB would calculate and distribute this SDI based on the capacity of Tuesday (day one) and would announce it on Wednesday (day two). On Thursday (day three), the FRB would distribute

to each 1-day prior notice depository SDI funds equal to 50 percent of each individual depository's Tuesday (day one) available capacity.

Using the information in the above example: On Wednesday, the FRB would notify a depository with an SDI collateral value of \$500 million and a closing balance on Tuesday of \$200 million that it will receive an SDI transfer of \$150 million of Treasury's excess operating funds (50 percent of its \$300 million available capacity). On Thursday, the FRB would credit the SDI funds to the depository's reserve account and add them to the depository's note balance.

Example: Same-Day Notice

The total SDI collateral value of all SDI depositories electing same-day notice is \$4 billion at the close of business on Tuesday (day one). Treasury elects to directly invest \$1 billion on Wednesday (day two). Therefore, on Wednesday, the FRB would distribute to each same-day notice depository SDI funds equal to 25 percent of each individual depository's available capacity.

Using the information in the above example: On Wednesday, the FRB would notify a depository with an SDI collateral value of \$700 million and a closing balance on Tuesday of \$300 million that it will receive SDI funds of \$100 million (25 percent of its \$400 million available capacity). The FRB would credit the SDI funds to the depository's reserve account and add them to the depository's note balance on Wednesday.

2340.35—SDI Maximum Balance

An SDI depository must declare an acceptable maximum SDI balance with the FRB's Fiscal Services Department by pledging that value of collateral. To change the amount of collateral pledged to secure SDI balances, the depository must provide

the FRB at least 1 business day advance notice of the change.

2340.40—Minimum Amount of SDI Funds

Treasury may place any amount of SDI funds. There is no minimum amount. However, in no case will the depository's SDI balance exceed the collateral pledged.

2340.45—SDI Announcements

Depending on the services provided by the FRB, it may notify depositories of an SDI by Fedline or telephone. The FRB notifies SDI depositories under the 1-day prior notice arrangement by 12:30 p.m. MRB Head Office LZT on the day before it places SDI funds in the depository's reserve account. The FRB notifies SDI depositories under the same-day notice arrangement by 12:30 p.m. MRB Head Office LZT on the day it places SDI funds in the depository's reserve account.

2340.50—Timing for SDI Funds

The FRB adds SDI funds to a depository's note balance at the same time it credits the funds to the depository's reserve account. Under the 1-day prior notice arrangement, the FRB posts SDI funds to the depository's note balance and credits them to the depository's reserve account on the day of placement (1 day after the day of announcement). Under the same-day notice arrangement, the FRB posts SDI funds to the depository's note balance and credits them to the depository's reserve account on the day of announcement.

Interest begins to accrue on the date the FRB adds the funds to the note balance.

2340.55—Withdrawal (Call) of Balances Placed as SDIs

To differentiate between DI and SDI balance calls, the FRB withdraws SDI balances by specifically

stating that the balances were placed as SDI balances. In this way, the FRB maintains control over the balances secured by OPC arrangements for monitoring the 21-day calendar rule (see Section 2340). It notifies the depository of the call by Fedline or telephone no later than 12:30 p.m. MRB Head Office LZT. SDI balances are payable on demand without prior notice. However, Treasury generally provides 1-day prior notice.

2340.60—SDIs Not Included in Totals Used for Reclassification

Annually, the FRB reclassifies Note Option depositories into Classes A, B and C (see IV TFM 1-2035) based on the depository's:

- FRB TT&L Application Deposits during the previous calendar year.
- Deposit liability (both demand and time) as of September 30 of the previous year.
- Maximum balance.

The FRB does not include funds received by depositories under the SDI Program in the figures used for reclassification.

2340.65—Collateral Requirements for SDI Balances

The FRB must approve the pledging depository's collateral procedures to secure SDI balances. It subjects these procedures to the same terms and conditions of its BIC Program used by depositories to secure borrowings from the FRB.

Collateral Location

The pledging depository, which retains possession of the collateral on its own premises in the OPC arrangement, holds the collateral to secure SDI balances. It must hold the collateral available at all times for on-site FRB review.

Acceptable Types of Collateral to Secure SDI Balances

Eligible collateral to secure SDI balances includes but is not limited to:

- One-to-four family mortgages.
- Insured student loans (notes representing educational loans insured or guaranteed under the program authorized by Title IV of the Higher Education Act of 1965, as amended, or Title VII of the Public Health Services Act, as amended).

Contact the FRB's Fiscal Services Department for specific information on the acceptability of collateral pledged to secure SDI balances.

Collateral Valuation

The FRB applies the same value and techniques used for collateral under its BIC Program to collateral pledged under OPC arrangements. When a depository pledges declining balance collateral, the FRB requires that the depository furnish at least monthly (or more frequently at the FRB's request) an updated statement showing the revised value of the collateral pledged.

Collateral Amount

All SDI balances must be 100 percent collateralized.

2340.70—Advice of Custody Information

Depositories participating in the SDI Program must comply with FRB instructions. They must submit appropriate collateral reports to the FRB as required.

Section 2345—Computation and Collection of Interest on Note Balances

The FRB charges interest on a depository's note balance from the date it credits the funds to the note balance. It determines the amount of in-

terest due by applying the weekly interest rate factor to the average daily note balance for each week of the reporting cycle.

2345.10—Computation and Basis of Interest Charges on Note Balances

The FRB determines the interest on the note balance by multiplying the Interest Rate Factor for the Investment Program by the average daily amount of the note balance for each week. It determines the average daily amount by dividing the sum of the daily closing note balances by 7. The weekly period runs from Thursday through Wednesday. The balance at the close of business on Friday is carried forward for Saturday and Sunday. For other FRB nonbusiness days, the previous business day's balance is carried forward as the balance for the nonbusiness calendar day.

On the second business day after the close of a TT&L reporting cycle, the FRB collects interest due Treasury through the depository's reserve or clearing account, or the designated TT&L correspondent's reserve account. The FRB includes this information in the depository's monthly statement (see IV TFM 1-2040).

Section 2350—Collateral Security Requirements

The terms and conditions in 31 CFR Part 203, as amended, require that a TT&L depository pledge acceptable collateral security. The pledged collateral security must cover all amounts credited to the depository's TT&L account in excess of recognized insurance coverage and the total established maximum balance in the depository's note balance, if applicable.

If the depository:

- Fails to pay, when due, the whole or any part of the funds received for credit to its TT&L account, and/or if applicable, its note balance.

- Violates or fails to perform any of the terms of 31 CFR Part 203.
- Fails to pay when due amounts owed to the United States or the U.S. Treasury.

OR

- Is closed for business by regulatory action or by proper corporate action, or a receiver, conservator, liquidation or any other officer is appointed.

Then, the Secretary of the Treasury, with or without notice or demand, may:

- Redeem or sell, at either public or private sale(s), or otherwise collect the proceeds of all or part of the collateral, including additions or substitutions.
- Apply the proceeds, after deducting all necessary expenses of such redemptions or sale(s), to the payment of funds received by the depository, or other indebtedness of the depository, to satisfy any claim of the United States against the depository.

Treasury will hold separate and apart from any other asset all principal and interest payments on any collateral pledged to protect the note balance, if applicable, and/or the TT&L account, if applicable, due as of the date of the insolvency or closure, or thereafter becoming due. These payments will constitute a part of the pledged collateral available to satisfy any claim of the United States.

2350.10—Acceptable Collateral

The Bureau of the Public Debt (BPD) has the regulatory authority and procedural responsibility to establish acceptable collateral. It determines the collateral valuation for the TT&L Program. Collateral to fully secure the TT&L account and note balance must be marketable securities or instruments.

The FRB's Fiscal Services Department provides information on the acceptability of specific collateral within the acceptable classes. Unless specified otherwise by Treasury, the

following are classes of acceptable collateral:

- Obligations issued, fully insured, or guaranteed by the Government or any Government agency.
- Zero-coupon obligations of the Government.
- Obligations of Government-sponsored corporations that, under specific statute, may be accepted as security for public funds.
- Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank or the African Development Bank.
- Obligations partially insured or guaranteed by a Government agency.
- Insured student loans or notes representing educational loans insured or guaranteed under a program authorized under Title IV of the Higher Education Act of 1965, as amended, or Title VII of the Public Health Services Act, as amended.
- General obligations issued by the States and Puerto Rico.
- Obligations of counties, cities or other governmental authorities or instrumentalities within the United States that are not in default as to payments on principal or interest and that may be purchased by banks as investment securities under the limitations established by appropriate Federal bank regulatory agencies.
- Obligations of domestic corporations that may be purchased by banks as investment securities under the limitations established by appropriate Federal bank regulatory agencies.
- Qualifying commercial paper, commercial and agricultural loans, and bankers' acceptances approved by the Federal Reserve System.

2350.20—Collateral Valuation

Generally, BPD applies a TT&L collateral valuation consistent with the Federal Reserve System guidelines for valuation of the same types of collateral pledged to secure borrowings from the FRB (discount window). The FRBs, at the direction of Treasury, apply a collateral valuation approach that relies on market values for assets where reliable and active markets exist. Where market information is not readily available, the FRB considers major risks inherent in the assets pledged in determining collateral value. Contact the FRB's Fiscal Services Department for valuations assigned to specific collateral.

2350.30—Custody of Collateral

Depositories place collateral security with the FRB, or a custodian within the United States designated by the FRB, under terms and conditions as prescribed by the FRB. Depositories also may pledge collateral under an extended custody arrangement. The FRB's Fiscal Services Department provides terms and conditions that permit depositories to pledge collateral under an extended custody arrangement.

SDIs must be secured by OPC arrangements (see paragraph 2340.65).

The FRB must authorize all custodians, and all custodians are subject to FRB review procedures, including on-site review. If one FRB authorizes a custodian under an agreement form, the authorization automatically is binding throughout the Federal Reserve System. The custodian must ensure the pledged collateral satisfies FRB-prescribed collateral standards.

Contact the FRB's Fiscal Services Department for a list of collateral custodians and extended collateral custodians.

2350.40—Ownership of Collateral

The depository must own all collateral free and clear of liens, charges and claims.

Contacts

Direct inquiries concerning operating procedures in this chapter to the district Federal Reserve Bank, Fiscal Services Department.

Direct additional inquiries concerning policies, guidelines and operating procedures (except acceptable collateral and collateral valuation as noted below) to:

Financial Services Division
Financial Management Service
Department of the Treasury
401 14th St., SW., Room 313
Washington, DC 20227
Telephone: 202-874-6580

Direct inquiries concerning acceptable collateral and collateral valuation the FRB's Fiscal Services Department cannot resolve to:

Government Securities Regulations Staff
Bureau of the Public Debt
Department of the Treasury
999 E St. NW., Room 315
Washington, DC 20239
Telephone: 202-691-3632

TREASURY FINANCIAL MANUAL

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